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Grain and Feed Update

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Report Highlights:
For marketing year 2013/14, wheat production is lowered to 10.5 million tons, 1.5 million less than USDA with a significant negative impact on exports which are reduced to 4.2 million tons. No significant change in barley projections. Corn production is now set at 24 million tons, 2 million tons lower than USDA. Projected exports will drop accordingly. Sorghum production is estimated down at 4.6 million tons, 800,000 tons lower than USDA. Exports are forecast at 2 million tons, 1 million lower than USDA. Post continues to forecast rice production at 1.5 million tons (rough basis), 100,000 tons lower than USDA.

Post:
Buenos Aires

Author Defined:

In general terms, the 2013/14 crop season is characterized by an expectation of low returns due to the drop in world commodity prices, a continued overvalued local currency, high inflation which makes production costs continue to increase, continued high export taxes and export quotas for corn and wheat, and to variable weather patterns which in the past several crop seasons has had a significant impact on production in different areas and crops. Due to tight returns, a few of the largest local production pools (typically renting large number of hectares and managing production and commercialization) will no longer operate. The land left by these large companies has been taken over by smaller companies/producers. In this season there has been a significant change in the way land rents were contracted. In many cases they have changed from cash rent to a sharecropping agreement. With slim profits, producers are in "defensive mode" and try to minimize risks. At this point, the big winner is soybeans, which is forecast to increase its planted acreage, gaining land from lower corn and sorghum planted area. Some analysts mention that 500,000-2,000,000 hectares in the marginal areas could be left unproductive.

Wheat: Post estimates production for crop 2013/14 at 10.5 million metric tons, significantly lower than USDA´s number. Dry weather in the central and northern part of the country has negatively impacted on the crop. The northwestern part of the country has gone through a two year long drought, with lower planted area than earlier planned. In the northeastern part of the country it has not been much better. In Cordoba and Santa Fe provinces it was also dry, with the addition of very cold weather late in the season. Yields will be low and several fields were lost. Harvested area is now estimated at 3.7 million hectares, 200,000 hectares lower than USDA. In contrast, in the southern part of Buenos Aires province, the country´s wheat core area, weather has been very good and, so far, yields and quality are expected to be very good. Post continues to set wheat production for crop 2012/13 at 9.5 million tons, lower than USDA.
With a significant lower output, exports in crop 2013/14 are adjusted downwards at 4.2 million tons, 1.8 million tons lower than USDA. However, the total volume will depend on how much the government finally allows to be shipped. After a very tight supply in season 2012/13, we expect the government to manage exports in a conservative way and finish the crop season with larger stocks so as not to go through again a very stressful end of season. Post projects ending stocks at 1.07 million tons, 370,000 tons higher than USDA. So far, exporters have purchased only 750,000 tons of wheat of the new crop. We expect exports of flour to return to more normal volumes. In 2012/13, the government so far allowed shipments of only 160,000 tons of flour, significantly lower than the normal 900,000 tons a year due to tight wheat supplies. Ending stocks for crop 2012/13 are expected at 813,000 tons. This seems to be a normal volume, but the problem is that the great majority of the remaining wheat is of very poor quality (primarily affected by fusarium) and was not possible to be mixed during the current marketing year. Very wet weather during spring 2012 severely affected a significant portion of the crop with fungus. During the season, mills were able to mix the affected wheat with good quality product and part went out through exports. Those holding

stocks of poor quality wheat will wait for the new crop to come in and mix it. Current local wheat prices (are more than double the world market) are very high and encourage mixing it rather than using it for animal feed. There are rumors that some wheat could be coming in from abroad to ease the pressure on the market prior to the new crop coming in, but this is difficult to determine. Official trade statistics do not show such imports. Contacts indicate that the government will not allow wheat imports because this would show the failure of its import substitution policies. Some local brokers indicate that there is still some good quality wheat available in the south of Buenos Aires province. The new crop will start to come into the market during the first weeks in November.

Barley: No significant change from USDA´s current numbers for crop 2013/14. The crop is developing in good condition as weather in the key production area was so far very beneficial. Producers are applying preventive fungicides and fertilizers. Barley fields in the central part of Argentina have suffered the same as wheat, drought and frosts. However, there was little barley planted in this area after last year´s severe crop failure. Of the total production in 2013/14, roughly 30 percent was done under contract growing. Opposite to the past couple of crops, producers will receive better prices under them than producing without a contract.

There are doubts about the rhythm of exports as current local prices are below producers´ expectations and they are selling very small volumes. Producers remember last year's solid prices, but good barley production in other parts of the world and plenty of feed grain supplies have made world barley prices drop from last year. Traders indicate that there is foreign demand but producers will have to accommodate to the lower price level which is 25 percent lower than what was expected. Of the total export supplies, Argentina will probably ship 700-800,000 tons of malting barley and the rest will be feed barley. Due to the financial situation of many producers and the need to pay for summer crop inputs and services, sales are expected to pick up in the next couple of months. Producers who will want and can stock grain to capture better prices in the future most likely will keep wheat rather than barley. The wheat crop will be small, current prices are incredibly high and wheat will have both domestic and export demand.

Corn: Production for crop 2013/14 is set at 24 million tons, 2 million tons below USDA. This is the result of lower planted area than earlier expected by post, a drier than expected season and to the shift of many fields which were going to be planted early in the season and will pass to late planting. Post now forecasts planted area at 3.45 million hectares, slightly above USDA. This reflects a drop of 150,000 hectares from our previous report. There is a wide variation of estimates out in the market as less than one million hectares have been planted so far and there are significant doubts about the weather in the next few months and how tight returns will finally play. Profitability is very slim, and production costs vis-à-vis soybeans are much higher. Lower world corn prices, increased productions costs (Argentina had 25 percent inflation in the past year and a similar level is expected for the coming year), high export taxes, an overvalued local currency, and low soil moisture all play against a greater planted area. A very dry winter and, so far spring, has affected early season corn planting which normally ends by mid October. Most of the fields which were not sown will pass on to late corn planting but some will shift directly to soybeans. Late corn is normally planted in December with the objective of skipping the flowering stage during the usually very hot and dry January. It has lately become very popular thanks to new seed hybrids, innovative technology and adjusted crop

management. Late corn is still somewhat less productive than early corn but producers are seeing very stable yields. In addition, its cost of production is lower. Although there are many different opinions on the share of late planted corn, it has ranged between 30-40 percent in the past couple of seasons, but it is estimated to be over 50 percent in 2013/14. This is expected to have a negative impact on the country´s total corn yield.

Lower production in 2013/14 will directly impact exports in the same proportion. Therefore, exports are now forecast at 16 million tons, 2 million tons lower than USDA. In late June 2013, the government announced a corn export quota of 16 million tons for 2013/14, one million more than the initial quota for the previous marketing year. The announcement was to encourage producers to plant knowing that the government would at least allow exporters to purchase large amounts of corn in one tranche. By mid-October exporters had only purchased less than 1.5 million tons of the new corn crop.

Domestic use for 2013/14 is projected at 8 million tons, 200,000 tons higher than USDA number. The full incorporation of several grain ethanol plants is expected to increase further the domestic demand for corn.

Sorghum: Post´s production forecast for marketing year 2013/14 is reduced to 4.6 million tons, which is 800,000 tons lower than USDA. This is a result of an expected smaller planted area (planting is starting these days). Total acreage is now forecast at 1 million hectares, 200,000 hectares lower than USDA. Returns are tight and production costs are high. Many producers will prefer to plant soybeans which have better returns and its commercialization is significantly easier. In many areas late corn planting is also competing for land with sorghum.

With a smaller output and a larger world production of feed grains, sorghum exports in 2013/14 are now projected at 2 million tons, 1 million ton lower than USDA. Domestic consumption is expected to grow somewhat and ending stocks would finish significantly higher than earlier expected and higher than USDA's number. A similar situation is occurring in marketing year 2012/13. Exports from March 2013 through October 2013 total approximately 1.5 million tons. From now onwards, traders expect sorghum exports to be really slow due to the strong competition from feed grains from the northern hemisphere. Post estimates total exports for 2012/13 at 1.8 million tons, 1.3 million tons lower than USDA. This will most likely bump up ending stocks to about 1 million tons, over 800,000 tons higher than USDA.

Rice: Post's production forecast for 2013/14 continues at 1.5 million tons (rough basis), 100,000 tons lower than USDA. The local rice industry usually estimates somewhat lower production volumes to those of the Ministry of Agriculture. As an example of this is the final production volume for the 2012/13 which the private sector closed at 1.4 million tons, lower than the 1.56 million tons estimated by the government. Exports for 2012/13 are reduced to 450,000 tons, 150,000 tons lower than USDA. From April through October 2013, exports have totaled about 330,000 tons. Traders indicate that prices currently offered for export are far from what farmers expected so little business is done. On top of this, Brazil has stopped sourcing in Argentina and Uruguay, making the market operate even slower.

Statistical Tables:

Wheat Argentina	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Dec 2011		Market Year Begin: Dec 2012		Market Year Begin: Dec 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Area Harvested	5,170	5,170	3,500	3,600	3,900	3,700
Beginning Stocks	4,106	4,163	735	809	740	813
Production	15,500	15,500	10,000	9,500	12,000	10,500
MY Imports	5	5	5	4	5	5
TY Imports	13	13	5	4	5	5
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	19,611	19,668	10,740	10,313	12,745	11,318
MY Exports	12,926	12,909	4,000	3,500	6,000	4,200
TY Exports	11,951	11,951	7,449	7,000	5,000	3,200
Feed and Residual	100	100	100	200	100	100
FSI Consumption	5,850	5,850	5,900	5,800	5,950	5,950
Total Consumption	5,950	5,950	6,000	6,000	6,050	6,050
Ending Stocks	735	809	740	813	695	1,068
Total Distribution	19,611	19,668	10,740	10,313	12,745	11,318
1000 HA, 1000 MT, MT/HA						

Barley Argentina	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Dec 2011		Market Year Begin: Dec 2012		Market Year Begin: Dec 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,160	1,160	1,500	1,500	1,200	1,200
Beginning Stocks	530	530	214	214	214	214
Production	4,500	4,500	5,200	5,000	4,300	4,300
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	5,030	5,030	5,414	5,214	4,514	4,514
MY Exports	3,616	3,616	3,700	3,600	2,600	2,500
TY Exports	3,631	3,631	3,700	3,600	2,600	2,500
Feed and Residual	100	100	200	100	100	200
FSI Consumption	1,100	1,100	1,300	1,300	1,300	1,300
Total Consumption	1,200	1,200	1,500	1,400	1,400	1,500
Ending Stocks	214	214	214	214	514	514
Total Distribution	5,030	5,030	5,414	5,214	4,514	4,514
1000 HA, 1000 MT, MT/HA						

Corn Argentina	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Mar 2012		Market Year Begin: Mar 2013		Market Year Begin: Mar 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3,600	3,600	4,000	3,700	3,370	3,450
Beginning Stocks	4,130	4,130	991	991	701	901
Production	21,000	21,000	26,500	26,500	26,000	24,000
MY Imports	7	7	10	10	10	10
TY Imports	8	8	10	10	10	10
TY Imp. from U.S.	1	1	0	0	0	0
Total Supply	25,137	25,137	27,501	27,501	26,711	24,911
MY Exports	17,146	17,146	19,500	19,000	18,000	16,000
TY Exports	16,501	16,501	23,000	22,000	16,000	14,000
Feed and Residual	4,800	4,800	4,800	5,000	5,000	5,000
FSI Consumption	2,200	2,200	2,500	2,600	2,800	3,000
Total Consumption	7,000	7,000	7,300	7,600	7,800	8,000
Ending Stocks	991	991	701	901	911	911
Total Distribution	25,137	25,137	27,501	27,501	26,711	24,911
1000 HA, 1000 MT, MT/HA						

Sorghum Argentina	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Mar 2012		Market Year Begin: Mar 2013		Market Year Begin: Mar 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,000	1,000	1,150	1,150	1,200	1,000
Beginning Stocks	950	950	167	167	217	1,067
Production	4,200	4,200	5,200	5,000	5,400	4,600
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	5,150	5,150	5,367	5,167	5,617	5,667
MY Exports	3,083	3,083	3,100	1,800	3,000	2,000
TY Exports	2,163	2,163	3,400	2,100	3,000	2,000
Feed and Residual	1,700	1,700	1,800	2,000	2,000	2,200
FSI Consumption	200	200	250	300	300	400
Total Consumption	1,900	1,900	2,050	2,300	2,300	2,600
Ending Stocks	167	167	217	1,067	317	1,067
Total Distribution	5,150	5,150	5,367	5,167	5,617	5,667
1000 HA, 1000 MT, MT/HA						

Rice, Milled Argentina	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Apr 2012		Market Year Begin: Apr 2013		Market Year Begin: Apr 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	235	235	233	223	238	232
Beginning Stocks	145	145	175	175	184	220
Milled Production	1,008	1,008	1,014	910	1,040	975
Rough Production	1,551	1,551	1,560	1,400	1,600	1,500
Milling Rate (.9999)	6,500	6,500	6,500	6,500	6,500	6,500
MY Imports	5	5	5	5	5	5
TY Imports	5	5	5	5	5	5
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	1,158	1,158	1,194	1,090	1,229	1,200
MY Exports	593	593	600	450	625	550
TY Exports	608	608	550	500	625	550
Consumption and Residual	390	390	410	420	410	420
Ending Stocks	175	175	184	220	194	230
Total Distribution	1,158	1,158	1,194	1,090	1,229	1,200
1000 HA, 1000 MT, MT/HA						